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RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 6085
RUEHBJ/AMEMBASSY BEIJING 3777
RUEHKO/AMEMBASSY TOKYO 3636
RUEHIT/AMCONSUL ISTANBUL 4327
RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1382
RUEHVEN/USMISSION USOSCE 4261

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000021

SIPDIS

STATE FOR SCA/CEN; EEB;
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR DSTARKS/EHOUSE

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TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [BTIO](#) [KS](#) [TX](#)
SUBJECT: TURKMENISTAN: KOREAN COMPANIES SEE LITTLE PROGRESS

REF: A. 09 ASHGABAT 1665
[1](#)B. ASHGABAT 17

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Despite the recent success of a few South Korean companies in concluding contracts with the Turkmen government, an ROK Embassy official emphasized that Korean companies still have difficulty entering the Turkmen market. The November 2008 visit to South Korea by President Berdimuhamedov failed to boost trade ties when his ROK counterpart turned down an invitation to visit Turkmenistan. The Koreans have been frustrated by a lack of progress on potential contracts. The ROK official considered the recent contract for a gas processing plant as to have secondary importance compared to the illusive gas production agreements that Korean energy companies have so far unsuccessfully sought. According to the Korean diplomat, winning the favor of the Turkmen president is the key to business success in Turkmenistan. END SUMMARY.

[1](#)2. (C) On January 5, EconOff met with the Economic Counselor of the South Korean Embassy in Ashgabat, Jook-Ik Park, to discuss recent reports that Korean companies had struck some commercial deals with the Turkmen, specifically service contracts for South Yoloten. Park downplayed the reports, stressing that despite some success, Korean businesses continue to have a difficult time entering the Turkmen market. He felt that Korea's lack of success was directly related to the refusal of South Korean President Myung-Bak Lee to visit Turkmenistan when he was invited by Turkmen President Berdimuhamedov in November 2008. Park added that the Korean president, a former successful businessman, had initially intended to visit Turkmenistan until he learned that the Turkmen were not willing to sign commercial deals during the proposed visit, but only "less than specific" bilateral agreements. Park recounted that Berdimuhamedov was "deeply offended" when the Korean president declined to visit Ashgabat, adding the only thing that might repair the damage would be a visit to Ashgabat by the Korean president.

However, Park saw no sign from Seoul that a presidential visit to Ashgabat was on the horizon.

13. (C) Park was convinced that Berdimuhamedov considers presidential visits, either ones he makes himself or those of other presidents to Ashgabat, as the best fora for commercial deliverables. He also felt that Berdimuhamedov "punishes" companies from countries that have not had their presidents meet with Berdimuhamedov. For example, Park cited Berdimuhamedov's recent trip to Japan. According to Park, the Japanese announced during Berdimuhamedov's visit that they intended to participate in a project to modernize the Turkmenbashi seaport and signed an agreement which formalized their intent. (NOTE: The Japanese told us that they have not signed an agreement about the seaport, but they hope to have the project details settled by March (Ref A). END NOTE.) Park noted that the South Korean government had already completed a feasibility study for modernization of the Turkmenbashi seaport and that Korean officials were led to believe they would be awarded a contract. Park opined that Korea's failure to send its president to Ashgabat might have cost Korea nearly a billion dollars, in the event the Japanese get the contract. Park thought that U.S. companies might also be suffering, since Berdimuhamedov has not met with the current U.S. president yet, adding that if Berdimuhamedov officially meets the U.S. president, it would be a "game changer" for U.S. companies working on deals with the Turkmen.

14. (C) Park noted the recent announcement that the Korean joint venture (JV) between LG International Corporation and

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Hyundai Engineering Co. Ltd received a \$1.48 billion contract to build a gas processing plant with a capacity of up to 10 billion cubic meters of gas per year (Ref B). He explained that the GOTX was simply looking for a service provider and the Korean JV offered high quality at a good price; he dismissed the notion that the deal indicated Korea was in good favor with Berdimuhamedov. He underscored that this service contract was actually "small beans." Korean energy companies continue to wait for the GOTX to open its onshore gas deposits to large energy companies with the experience and technology needed to increase production. He asserted that Korean energy companies are mostly interested in production sharing agreements (PSA) with the GOTX. He did not think that the chances for the LG-Hyundai joint venture to get a PSA had improved just because it won a service agreement to build a gas processing plant.

15. (C) According to Park, Berdimuhamedov uses his country's "positive neutrality" policy to play rival foreign companies, and their respective countries, against each other. He noted that the GOTX recently purchased 300 Hyundai sedans to be used as government-run taxis, adding that Japan had hoped to close a deal to sell the GOTX 1,000 taxis, when the Turkmen suddenly went with Hyundai (ref A). He also gave the example of a tender won by a Hyundai subsidiary to rebuild and repair Turkmen ships, but the GOTX never signed a contract. According to Park, the Korean company which won the tender, Hyundai Amco, closed its office in Ashgabat in December 2009, when it was clear there would be no contract. Park believed the GOTX will most likely give that contract to another company, if the company's country of origin "is on Berdimuhamedov's good list at the moment." Park stressed that Korean businesses and the ROK were becoming more frustrated with Berdimuhamedov's capriciousness, but still saw Turkmenistan as a market with a lot of potential. He did mention that Korean electronics comprised more than 50 percent of the Turkmen market, but noted that most of the Korean washing machines, dryers, dishwashers, televisions, and air conditioners in the country are actually made in Central and Eastern Europe. He stressed that the ROK government is concerned about keeping jobs in Korea instead of outsourcing them to other countries.

¶6. (C) COMMENT: Korean businesses in Turkmenistan have reported minimal success. Other than the recent energy sector service contract awarded to the LG-Hyundai joint venture and the Hyundai auto deal, Korean businesses have reportedly had little to celebrate. Park's frustration with the uncertainty and lack of transparency in the business environment in Turkmenistan is similar to that of his Japanese counterparts, although the Japanese have been making more overt efforts to improve political relations in order to help their companies. The ROK Embassy's Economic Counselor rightly pointed out that a foreign company's success in Turkmenistan is often tied to its country's broader bilateral relationship with the GOTX, in particular the quality of engagement with the Turkmen president. If Berdimuhamedov feels respect from his foreign counterparts, he is more apt to reciprocate with commercial deals; the converse appears to be true as well. END COMMENT
CURRAN